

ABSTRACT

This study aims to examine the fraud factors described in the pentagon fraud theory against the potential fraudulent financial statements in the financial company sector listed on the Indonesia Stock Exchange during 2019-2021. The independent variables used in this study are financial targets, ineffective monitoring, change in auditors, change in directors, and duality of company CEOs. The dependent variable used in this study is the potential financial statement fraud as measured by the Beneish M-Score formula. In addition, this study also adds a moderating variable, namely the audit committee effectiveness. The moderating variables of audit committee effectiveness are the expertise of audit committee members and the frequency of company audit committee meetings.

This study uses a sample of 212 companies from financial sector companies listed on the Indonesia Stock Exchange during 2019-2021. This research used quantitative methods using secondary data. The secondary data used in this study came from the company's financial statements and annual reports obtained through the company's official website and the Indonesian Stock Exchange's official website. The sampling method was purposive sampling. Data analysis in this study used logistic regression and Moderated Regression Analysis (MRA).

The results of this study indicate that from 15 hypotheses, there are six accepted hypotheses. The independent variables that significantly influence the potential fraudulent financial statements are financial targets, ineffective monitoring, change in auditors, and change in directors. The moderating variables of the audit committee members' expertise and the frequency of audit committee meetings managed to moderate the relationship between ineffective monitoring and the potential for fraudulent financial statements.

Keywords: Fraud, Pentagon Fraud, Financial Statement Fraud, Audit Committee Effectiveness